The Public Schools
Finance Board

Annual Report
The Year Ending June 30, 2008

Manitoba

MINISTER OF EDUCATION, CITIZENSHIP AND YOUTH

Room 168
Legislative Building
Winnipeg, Manitoba R3C 0V8
CANADA

His Honour the Honourable John Harvard, P.C., O.M.
Lieutenant Governor of Manitoba

Your Honour:

I present herewith the annual report of The Public Schools Finance Board for the fiscal year ending June 30, 2008.

Sincerely,

Honourable Peter Bjornson

Manitoba

Deputy Minister of Education, Citizenship and Youth
Room 156
Legislative Building
Winnipeg, Manitoba R3C 0V8
CANADA

Honourable Peter Bjornson
Minister of Education, Citizenship and Youth
168 Legislative Building
450 Broadway
Winnipeg, Manitoba R3C 0V8

Dear Sir:

Pursuant to Section 13 of The Public Schools Finance Board Act, on behalf of The Public Schools Finance Board, I have the honour of submitting the attached document for your review and consideration.

This annual report of The Public Schools Finance Board is for a twelve-month period ending June 30, 2008.

Yours sincerely,

G. Farthing

Gerald Farthing
Chair
Public Schools Finance Board

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors

We have audited the statement of financial position of The Public Schools Finance Board as at June 30, 2008, and the statements of revenue and expenditure and education support fund and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at June 30, 2008, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
November 19, 2008

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

PUBLIC SCHOOLS FINANCE BOARD

MANAGEMENT REPORT

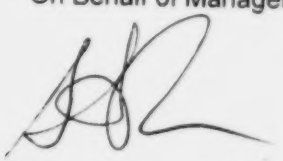
The accompanying financial statements are the responsibility of management and have been prepared in accordance with the accounting policies stated in the financial statements. These accounting policies have been applied on a basis consistent with the prior year. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to November 19, 2008. The financial information presented elsewhere in the Annual Report is consistent with that in the financial statements.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information. These internal controls also provide for the safeguarding of the Board's assets.

The responsibility of the Auditor General and her staff is to express an independent, professional opinion on whether the financial statements are fairly stated in accordance with the accounting policies stated in the financial statements. The Auditors' Report outlines the scope of the audit examination and provides the audit opinion.

The Board has reviewed and approved these financial statements and the Annual Report in advance of its release and has approved its content and authorized its release.

On Behalf of Management



Steve Power, CMA

THE PUBLIC SCHOOLS FINANCE BOARD

Statement of Financial Position
As at June 30, 2008

	2008	2007
	(in thousands of dollars)	
Assets		
Cash	$ 1,369	$ 1,314
Funds on deposit with the Province of Manitoba	45	17
Accounts receivable:		
Province of Manitoba	-	7,536
Municipal corporations - Education Support Levy	75,359	74,034
Other	294	356
	$ 77,067	**$ 83,257**
Liabilities and Education Support Fund		
Support payable to school divisions	$ 4,467	$ 3,296
Accrued interest	734	1,129
Funds advanced from the Province of Manitoba	411	-
Notes payable - Province of Manitoba (Note 7)	70,575	75,206
Other payables	169	135
	76,356	**79,766**
Education Support Fund	**711**	**3,491**
	$ 77,067	**$ 83,257**

THE PUBLIC SCHOOLS FINANCE BOARD

Statement of Revenue and Expenses and Education Support Fund for the year ended June 30, 2008

	2008	2007
	(in thousands of dollars)	
Revenue:		
Province of Manitoba - Funding of Schools Program	$ 772,259	$ 771,611
Municipal corporations - Education Support Levy	124,715	122,867
Misc Revenue	14	-
	896,988	**894,478**
Expenses:		
Operational support program (Note 8)	846,235	820,933
Capital support program (Note 9)	50,484	73,421
Administrative and other expenses (Note 10)	3,049	3,498
	899,768	**897,852**
Excess (deficiency) of revenue over expenses	**(2,780)**	**(3,374)**
Education Support Fund		
Balance, beginning of year	3,491	6,865
Balance, end of year	$ **711**	$ **3,491**

THE PUBLIC SCHOOLS FINANCE BOARD

Statement of Cash Flow
for the year ended June 30, 2008

	2008	2007
	(in thousands of dollars)	
Cash Flows from Operating Activities:		
Excess (deficiency) of revenue over expenses	$ (2,780)	$ (3,374)
Changes in working capital:		
Accounts receivable:		
Province of Manitoba	7,536	4,634
Municipal Corporations - Education Support Levy	(1,325)	(777)
Other	62	276
Accounts payable:		
Support payable to school divisions	1,171	(252)
Accrued interest	(395)	157
Other	34	(63)
	4,303	601
Cash Flows from Financing Activities:		
Funds advanced from the Province of Manitoba	411	-
Notes payable - Province of Manitoba	(4,631)	(1,013)
	(4,220)	(1,013)
Net increase(decrease) in cash	83	(412)
Cash - beginning of year	1,331	1,743
Cash - end of year	**$ 1,414**	**$ 1,331**
Consisting of:		
Cash	$ 1,369	$ 1,314
Funds on deposit with the Province of Manitoba	45	17
	$ 1,414	**$ 1,331**

THE PUBLIC SCHOOLS FINANCE BOARD

Notes to the Financial Statements

As at June 30, 2008

1. Nature of the Board's operations

The Public Schools Finance Board was established by the Public Schools Finance Board Act in April, 1967.

The Board is responsible for receiving all monies paid to the Education Support Fund for the financing of public schooling in Manitoba. It administers the capital support program including the determination and the disbursement of all capital grants provided to Manitoba school divisions under the Program. The Board also issues payments to Manitoba school divisions under the operational support program in amounts as determined by the Minister of Education, Citizenship and Youth.

The Public Schools Act and its Regulations govern the Education Support Fund.

2. Significant Accounting Policies

(a) The financial statements of the Board have been prepared in accordance with Canadian generally accepted accounting principles.

(b) The Education Support Levy is assessed against municipal corporations on a calendar year basis. The Board applied 40% of the 2007 levy to the July to December period and 60% of the 2008 levy to the January to June period.

(c) The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

(d) The Board's financial instruments consist of cash, funds on deposit with the Province of Manitoba, accounts receivable, support payable to school divisions, accrued interest, funds advanced from the Province of Manitoba, notes payable - Province of Manitoba, and other payables.

The Board has designated its financial instruments as follows:

Cash and funds on deposit with the Province of Manitoba are classified as financial assets held for trading and are measured at fair value with gains and losses recognized in net earnings.

Significant Accounting Policies (continued)

Accounts Receivable are classified as loans and receivables. These financial assets are recorded at their amortized cost using the effective interest rate method.

Support payable to school divisions, accrued interest, funds advanced from the Province of Manitoba, notes payable - Province of Manitoba and other payables are classified as other financial liabilities. These financial liabilities are recorded at their amortized cost using the effective interest rate method.

Unless otherwise noted, it is management's opinion that the entity is not exposed to significant interest, currency or credit risk arising from these financial instruments.

The fair value of accounts receivable, support payable to school divisions, accrued interest, funds advanced from the Province of Manitoba, notes payable - Province of Manitoba and other payables approximates their carrying values due to their short-term maturity.

3. Future Accounting Policy Changes

The Canadian Institute of Chartered Accountants (CICA) has issued two new standards, CICA 3862: Financial Instruments - Disclosures and CICA 3863: Financial Instruments - Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and the management of these risks. This change in accounting policies, which will be adopted effective July 1, 2008, will only require additional disclosures in the financial statements.

The CICA has also issued a new standard, CICA 1535: Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital. These changes in accounting policies, which will be adopted effective July 1, 2008, will only require additional disclosures in the financial statements.

4 New Accounting Policies

Effective July 1, 2007 the Board adopted the following new accounting standards issued by the CICA.

Accounting Changes

Section 1506 requires that voluntary changes in accounting policies are made only if they result in the financial statements providing reliable and more relevant information. Additional disclosure is required when the entity has not yet applied a new primary source of Canadian GAAP that has been issued but is not yet effective, as well as when changes in accounting estimates and errors occur. The adoption of this revised standard had no material impact on the Board's financial statements for the year ended June 30, 2008.

New Accounting Policies (continued)

Financial Instruments - Recognition and Measurement

Section 3855 prescribes the criteria for recognition and presentation of financial instruments on the Statement of Financial Position and the measurement of financial instruments according to prescribed classifications. Under this section, financial assets and liabilities are initially recorded at fair value. This section also addresses how financial instruments are measured subsequent to initial recognition and how the gains and losses are recognized.

The Board is required to designate its financial instruments into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and fund balances, respectively. All other financial instruments are subsequently measured at amortized cost.

The adoption of this revised standard had no material impact on the Board's financial statements for the year ended June 30, 2008.

5. Related party transactions

The Board is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Board enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

6. Pension costs and obligations

The Board's employees are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Board employees is included in the Province of Manitoba's liability for the Civil Service Superannuation Fund. Accordingly, the Board reflects no provision in the financial statements relating to its participation in the pension plan.

7. Notes Payable

Notes Payable to the Province of Manitoba are due on demand. The interest payable on the notes is the Royal Bank prime rate less 75 basis points.

8. Operational support program

	2008	2007
	(in thousands of dollars)	
Instructional Support	$ 317,021	$ 317,372
Sparsity Support	11,439	11,491
Curricular Materials	10,079	9,362
Information Technology	6,719	6,809
Library Services	15,454	15,660
Student Services Grant	61 395	61 467
Counselling and Guidance	13,774	12,434
Professional Development	8,131	6,779
Occupancy	83,934	82,673
Transportation	41,557	40,550
Board and Room	649	799
Special Needs	90,487	84,073
Senior Years Technology Education	8,608	8,252
English as an Additional Language	7,455	6,071
Aboriginal Academic Achievement	6,993	6,898
Heritage Language	226	226
French Language Programs / Instruction	6,002	5,900
Small Schools	1,835	1,822
Enrolment Change Support	9,374	5,259
Northern Allowance	4,674	4,833
Early Childhood Development Initiative	1,595	1,443
Early Literacy Intervention	6,174	6,196
Early Numeracy	828	847
Experiential Learning	544	552
Equalization Support	128,039	119,333
Adjustment of previous years' support to school divisions from estimated to actual	(122)	164
Amalgamated School Division Guarantee	665	964
Miscellaneous (Pipeline)	(88)	(88)
Vocational Equipment Replacement	2,200	2,200
Vocational Equipment Upgrade	594	592
	$ 846,235	**$ 820,933**

9. Capital support program

	2008	2007
	(in thousands of dollars)	
Capital grants:		
Major school construction	$ 44,263	$ 67,268
Minor capital projects	221	238
School buildings "D" support	6,000	5,565
Environmental assistance program	-	344
Air and water quality program	-	6
Total capital support program	**$ 50,484**	**$ 73,421**

10. Administrative and other expenses

	2008	2007
	(in thousands of dollars)	
Board administration:		
Staff salaries	$ 850	$ 876
Service agreement	169	169
Professional services	78	134
Meetings and travel	22	20
Desktop management	42	35
Rent	42	40
Printing, stationery, postage and supplies	23	22
Telephone and fax	11	11
Professional Development	14	17
Computers, software and minor equipment	16	42
Total Board administration Expenses	**1,267**	**1,366**
Interest charges on notes payable to the Province of Manitoba	**1,782**	**2,132**
	$ 3,049	**$ 3,498**